



# Town of Arlington

## *The Next 5-Year Plan*

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Summit Meeting

Budget & Revenue Task Force

Board of Selectmen, School Committee &

Finance Committee

January 11, 2007



# AGENDA

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1. Purpose of summit
2. Current 5-yr plan
  - Town
  - School
  - Capital & Debt
  - Other financial challenges
3. Projections - next 5 years
4. Small/Large Group Discussions
5. Summit evaluation & next steps
6. Adjourn – 9:00 PM



# PURPOSE OF SUMMIT

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Bring all the major boards, committees, and officials who are involved in the town's financial planning and management together to assess where we are in the current 5 year plan and to begin to put together the next 5 year plan taking into consideration the operating, capital and other financial needs of the town.



# Summit Assumptions

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- All information is Status Quo
- Tonight is for information not judgment
- Together we will decide how we go forward
- The current 5 year plan is working
- We want another one
- United we stand, divided we fall



# CURRENT 5 YEAR PLAN

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FY2006 – FY2010

- Perspective on where we are, expectations for the remaining 3 years, and future challenges
  - Assumptions
  - Conclusions
  - Questions

# FIVE YEAR FINANCIAL PLAN

	FY 2006	FY 2007	Percent Change	FY 2008	Percent Change	FY 2009	Percent Change	FY 2010
<b>I REVENUE</b>								
A. State Aid	14,790,887	15,600,746	5.48%	16,000,746	2.56%	16,600,746	3.75%	17,200,746
School Construction Aid	2,332,555	2,269,282	-2.71%	2,269,282	0.00%	2,269,282	0.00%	2,269,282
B. Local Receipts	8,448,336	8,172,024	-3.27%	8,718,336	6.69%	8,818,336	1.15%	8,868,336
C. Free Cash	1,614,155	2,084,695	29.15%	954,736	-54.20%	1,300,000	36.16%	1,300,000
D. Stabilization Fund	0	0		0		0		0
E. Overlay Reserve Surplus	400,000	400,000	0.00%	500,000	25.00%	400,000	-20.00%	400,000
F. Property Tax	73,525,801	76,778,350	4.42%	78,973,559	2.86%	81,004,334	2.57%	83,207,739
H. Override Stabilization Fund	0					238,432		1,934,921
<b>TOTAL REVENUES</b>	101,111,734	105,305,097	4.15%	107,416,659	2.01%	110,631,130	2.99%	115,181,024
<b>II APPROPRIATIONS</b>								
A. Operating Budgets								
School	34,280,903	35,363,743	3.16%	36,778,292	4.00%	38,249,424	4.00%	39,779,401
Minuteman	2,573,834	2,893,035	12.40%	3,008,756	4.00%	3,129,107	4.00%	3,254,271
Town Personnel Services	19,289,018	19,880,738		20,762,609		21,593,113		22,456,837
Expenses	7,996,769	8,434,905		8,869,367		9,197,533		9,537,842
<b>Less Offsets:</b>								
Enterprise Fund/Other	1,486,247	1,535,102		1,808,230		1,880,559		1,955,782
Tip Fee Stabilization Fund	400,000	680,000		680,000		680,000		680,000
<b>Net Town Budget</b>	<b>25,399,540</b>	<b>26,100,541</b>	2.76%	<b>27,143,745</b>	4.00%	<b>28,230,087</b>	4.00%	<b>29,358,898</b>
MWRA Debt Shift	5,475,486	5,593,112		5,593,112		5,593,112		5,593,112
B. Capital budget								
Exempt Debt Service	3,231,757	3,143,808	-2.72%	3,128,946	-0.47%	2,918,406	-6.73%	2,824,464
Non-Exempt Service	4,075,799	3,950,037	-3.09%	3,924,062	-0.66%	3,979,239	1.41%	4,174,679
Cash	707,110	917,458	29.75%	806,708	-12.07%	864,250	7.13%	854,750
<b>Total Capital</b>	<b>8,014,666</b>	<b>8,011,303</b>	-0.04%	<b>7,859,716</b>	-1.89%	<b>7,761,895</b>	-1.24%	<b>7,853,893</b>
C. Pensions	6,345,069	6,496,453	2.39%	6,706,716	3.24%	6,974,985	4.00%	7,253,985
D. Insurance	12,259,672	14,082,511	14.87%	15,062,514	6.96%	16,116,890	7.00%	17,245,072
E. State Assessments	2,543,085	2,605,385	2.45%	2,605,385	0.00%	2,670,520	2.50%	2,737,283
F. Offset Aid - Library & School	497,260	75,461	-84.82%	75,461	0.00%	75,461	0.00%	75,461
G. Overlay Reserve	902,675	1,194,924	32.38%	600,000	-49.79%	600,000	0.00%	800,000
H. Other Crt Jdgmnts/ Snow Deficit	499,606	413,733	-17.19%	300,000	-27.49%	300,000	0.00%	300,000
I. Warrant Articles	2,319,938	374,896	-83.84%	1,202,440	220.74%	929,649	-22.69%	929,649
J. Override Stabilization Fund		2,100,000		480,520				
<b>K. TOTAL APPROPRIATIONS</b>	101,111,734	105,305,097	4.15%	107,416,659	2.01%	110,631,130	2.99%	115,181,024
<b>BALANCE</b>	<b>(0)</b>	<b>(0)</b>		<b>0</b>		<b>(0)</b>		<b>0</b>

# SCHOOL OPERATING BUDGET CHALLENGES



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- Assumptions
- Budget drivers
- Conclusions
- Questions



# Assumptions

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- Level enrollment
- No new programs
- No new staff
- Maintain the significantly reduced administrative structure
- Special Ed spending limited to 5% growth/year - (this will be hard!)





# Budget drivers: Revenue

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- Revenue from taxes up \$1.3 million/year (3.5%)
- Decrease in grants \$200,000/year
- **Net increase: \$1.1 million/year**



# Budget drivers: Expenses

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- Contractual salary obligations    \$1,400,000/yr
- Special Ed at 5%    500,000/yr
- Retirement savings & other    (100,000)/yr
- *Total*    *\$1,800,000/yr*
  
- *Shortfall*    *\$700,000/yr*



# FY2011 and beyond is very scary

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- Instead of receiving \$1.3 million in new spending from tax revenue, tax revenue drops in 2011 and plummets in 2012
- **Shortfall in FY2011** **\$1,000,000**
- **Shortfall in FY2012** **\$4,000,000**

Note: figures exclude inflation



# Total shortfall

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With no new programs & no new staff

	<u>Annual</u>	<u>Cumulative</u>	<u>#of teachers/staff</u>
■ FY08	\$700,000	\$700,000	14
■ FY09	\$700,000	\$1,400,000	28
■ FY10	\$700,000	\$2,100,000	42
■ FY11	\$1,000,000	\$3,100,000	62
■ FY12	\$4,000,000	\$7,100,000	142

*Note: figures exclude inflation*



# Not a pretty picture

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*We are very worried about the  
school operating budget*

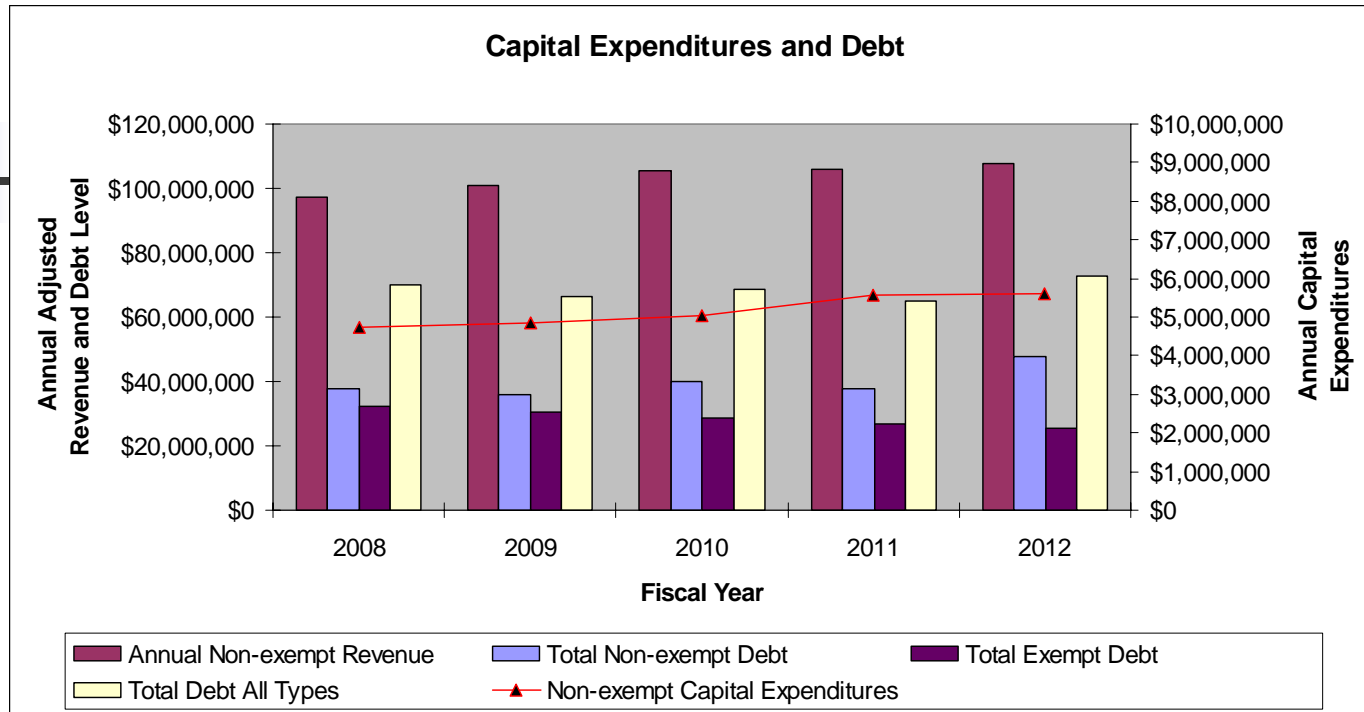


# CAPITAL NEEDS

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- Thompson & Stratton Schools
- High School
- Public Safety Building
- Veterans' Memorial Rink
- Fire Stations
- Cemetery
- Roadway Infrastructure

# Five Year Capital Outlook



- Capital Plan (non-exempt) at 5% of budget over five years.
- Fire stations, parks, some police, traditional school expenditures, public works; some projects extend into next five years.
- No major school projects.
- Symmes debt should drop with closing of transaction.
- Additional expenditures or debt service impacts operations or requires additional revenue sources.



# DEBT STRUCTURE

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- Current Debt

- Gross Debt = \$85M (through 2026)

- Current Debt = \$52.24M

- Net-Tax-Supported Non-Exempt Debt Service = \$30.56M

- Net-Tax-Supported Exempt Debt Service = \$17.21M

- Net Self-Supported Debt Service = \$ 4.47M

- Authorized – Not Borrowed = \$32.76

- Potential New Debt = \$65.5M to \$78.5M +

- Thompson & Stratton Schools = \$16M to \$25M

- Health Care Trust – “B.O.B.” = \$ 5M

- Fire Stations = \$12M to \$16M

- Public Safety Building = \$ 5.5M

- High School = \$25M

- Veterans’ Memorial Rink = \$ 2M





# OTHER FINANCIAL CHALLENGES

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- Retiree Healthcare Liability
  - \$110 million Liability
- Peirce Field Potential Liability ???



# STRUCTURAL DEFICIT

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## Typical Annual Growth

### Revenues

Property Taxes	\$2,100,000
Local Receipts	\$ 50,000
State Aid	<u>\$ 600,000</u>
Total	\$2,750,000

### Expenditures

Wage Adjustments	\$2,000,000
Health Ins/Medicare	\$1,300,000
Pensions	\$ 300,000
Misc. (utilities, capital/debt, special ed, other)	<u>\$1,000,000</u>
Total	\$4,600,000

Structural Deficit	(\$1,850,000)
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# NEXT 5 YEARS

## I REVENUE

	FY 2011	Percent Change	FY 2012	Percent Change	FY 2013	Percent Change	FY 2014	Percent Change	FY 2015
A. State Aid	17,800,746	3.49%	18,200,746	2.25%	18,800,746	3.30%	19,400,746	3.19%	20,000,746
School Construction Aid	2,269,282	0.00%	2,269,282	0.00%	2,269,282	0.00%	2,269,282	0.00%	2,269,282
B. Local Receipts	8,918,336	0.56%	8,968,336	0.56%	9,018,336	0.56%	9,068,336	0.55%	9,118,336
C. Free Cash	1,300,000	0.00%	1,300,000	0.00%	1,300,000	0.00%	1,300,000	0.00%	1,300,000
D. Stabilization Fund	0		0		0		0		0
E. Overlay Reserve Surplus	300,000	-25.00%	300,000	0.00%	300,000	0.00%	300,000	0.00%	300,000
F. Property Tax	85,478,647	2.73%	87,802,833	2.72%	90,676,716	3.27%	93,472,302	3.08%	95,979,802
H. Override Stabilization Fund	3,114,260								
<b>TOTAL REVENUES</b>	<b>119,181,271</b>	<b>3.47%</b>	<b>118,841,197</b>	<b>-0.29%</b>	<b>122,365,080</b>	<b>2.97%</b>	<b>125,810,666</b>	<b>2.82%</b>	<b>128,968,166</b>

## II APPROPRIATIONS

A. Operating Budgets									
School	41,370,577	4.00%	43,025,400	4.00%	44,746,416	4.00%	46,536,273	4.00%	48,397,724
Minuteman	3,384,442	4.00%	3,519,819	4.00%	3,660,612	4.00%	3,807,037	4.00%	3,959,318
Town	23,355,111	4.00%	24,289,315	4.00%	25,260,888	4.00%	26,271,323	4.00%	27,322,176
Personnel Services	9,893,604	3.73%	10,262,635	3.73%	10,598,223	3.27%	10,365,062	-2.20%	10,779,665
Expenses									
<i>Less Offsets:</i>									
Enterprise Fund/Other	2,034,013	4.00%	2,115,373	4.00%	2,199,988	4.00%	2,287,988	4.00%	2,379,507
Tip Fee Stabilization Fund	680,000	0.00%	680,000	0.00%	631,124	-7.19%		-100%	
<b>Net Town Budget</b>	<b>30,534,702</b>	<b>4.00%</b>	<b>31,756,577</b>	<b>4.00%</b>	<b>33,027,998</b>	<b>4.00%</b>	<b>34,348,398</b>	<b>4.00%</b>	<b>35,722,334</b>
MWRA Debt Shift	5,593,112		5,593,112		5,593,112		5,593,112		5,593,112
B. Capital budget									
Exempt Debt Service	2,740,591	-2.97%	2,651,127	-3.26%	2,556,253	-3.58%	2,449,319	-4.18%	2,357,581
Non-Exempt Service	4,654,104	11.48%	4,775,005	2.60%	5,013,755	5.00%	5,264,443	5.00%	5,527,665
Cash	883,927	3.41%	891,700	0.88%	936,285	5.00%	983,099	5.00%	1,032,254
<b>Total Capital</b>	<b>8,278,622</b>	<b>5.41%</b>	<b>8,317,832</b>	<b>0.47%</b>	<b>8,506,293</b>	<b>2.27%</b>	<b>8,696,861</b>	<b>2.24%</b>	<b>8,917,500</b>
C. Pensions	7,544,144	4.00%	7,845,910	4.00%	8,159,746	4.00%	8,486,136	4.00%	8,825,581
D. Insurance	18,452,227	7.00%	19,743,883	7.00%	21,125,955	7.00%	22,604,772	7.00%	24,187,106
E. State Assessments	2,805,715	2.50%	2,875,858	2.50%	2,947,754	2.50%	3,021,448	2.50%	3,096,984
F. Offset Aid - Library & School	75,461	0.00%	75,461	0.00%	75,461	0.00%	75,461	0.00%	75,461
G. Overlay Reserve	600,000	-25.00%	600,000	0.00%	600,000	0.00%	600,000	0.00%	600,000
H. Other Crt Jdgmnts/ Snow Deficit	300,000	0.00%	300,000	0.00%	300,000	0.00%	300,000	0.00%	300,000
I. Warrant Articles	929,649	0.00%	929,649	0.00%	929,649	0.00%	929,649	0.00%	929,649
J. Override Stabilization Fund									
<b>K. TOTAL APPROPRIATIONS</b>	<b>119,868,650</b>	<b>4.07%</b>	<b>124,583,501</b>	<b>3.93%</b>	<b>129,672,997</b>	<b>4.09%</b>	<b>134,999,146</b>	<b>4.11%</b>	<b>140,604,769</b>
<b>BALANCE</b>	<b>(687,379)</b>		<b>(5,742,303)</b>		<b>(7,307,917)</b>		<b>(9,188,479)</b>		<b>(11,636,603)</b>



# Small Group Discussions

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- What steps should this summit take to develop and implement another 5 Year Plan?
  1. Individual Lists
  2. Group Brainstorm
  3. Select Top 3 ideas
  4. Select a spokesperson to present group's thoughts to larger group



# PROCESS TO PUT TOGETHER THE NEXT 5 YEAR PLAN

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- Schedule
- Participants
  - Summit participants
  - School Facilities Working Group
  - State Aid Task Force
  - OPEB (Retiree healthcare liability)
  - Others???
- Public input process



# Next Meeting

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- ????????